SaskTel

Financial Statements of

DIRECTWEST CORPORATION

December 31, 2009

DirectWest Corporation (DirectWest)
www.directwest.com

DirectWest, a wholly-owned subsidiary of SaskTel, has been publishing telephone directories in Saskatchewan since 1909. DirectWest publishes and distributes ten telephone directories across Saskatchewan, and provides these directories on-line at www.sasktelphonebook.com and www.mysask.com. In addition to consistently generating value through print and on-line directories, the company continues to add new services and solutions for their customers, including on-line advertising and mobile phonebooks for cell phones. DirectWest's head office is in Regina with a second office in Saskatoon. The company employs 92 people in Saskatchewan.

President's Message

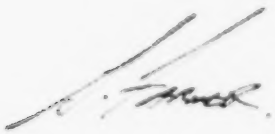
DirectWest's focus is to be the leader in bringing buyers and sellers together through print, online and mobile advertising mediums. Growth in the Saskatchewan operations was achieved in 2009, with revenues from continuing operations increasing 3.0% to $43.1M. Top line growth combined with successful cost reduction initiatives resulted in increased profitability for the company.

During 2009, DirectWest sold the Alberta and Manitoba operations of its wholly owned subsidiary DirectWest Canada, Inc. Those operations are reported in the financial statements as discontinued operations.

2009 was another year of change in the directory publishing sector. Incumbent publishers like DirectWest were buffeted by economic and competitive pressures amid a changing technological environment. In the USA and in most of Canada their growth stalled or declined. Competition strengthened in Canada as independent publishers consolidated and continued to expand with enhanced product offerings. In Saskatchewan, DirectWest successfully continued to grow and the company's market share in 2009 exceeded 98%. DirectWest also met or exceeded all targets for directory quality and customer performance measurements. Online directory traffic continued to rise with the new mobile services offerings setting new usage records.

Looking forward, the directory business in Canada is expected to become increasingly competitive. Although the incumbent Saskatchewan directory business is relatively mature, DirectWest will focus on maintaining its leadership position and expects to achieve modest growth in this area. Technology will continue to play an increasingly important role, providing growth opportunities for DirectWest as well as additional avenues of competition. In 2010, DirectWest will continue to identify and pursue growth opportunities to generate new sources of revenue.

Thank you to our customers and dedicated employees for providing us the strong position from which we anticipate to continue our growth and success in 2010.



Gord Farmer
President, DirectWest

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AUDITORS' REPORT

To The Member's of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of DirectWest Corporation as at December 31, 2009 and the consolidated statements of operations and comprehensive income, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 1, 2010

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Consolidated Statement of Operations and Comprehensive Income

For the year ended December 31, (Thousands of dollars)	2009	2008
Gross revenue	$43,119	$41,851
Cost of sales	6,999	7,678
Gross profit	36,120	34,173
Operating expenses	30,925	29,449
Depreciation and amortization	313	407
	31,238	29,856
Income from operations	4,882	4,317
Interest income	434	103
Interest costs	(19)	(118)
Income from continuing operations	5,297	4,302
Loss from discontinued operations (Note 5)	(1,809)	(2,080)
Net income	3,488	2,222
Other comprehensive income	-	-
Comprehensive income	$3,488	$2,222

See accompanying notes

Consolidated Statement of Deficit

For the year ended December 31, (Thousands of dollars)	2009	2008
Deficit, beginning of year	$(980)	$(202)
Net income	3,488	2,222
	2,508	2,020
Dividends	(8,000)	(3,000)
Deficit, end of year	$(5,492)	$(980)

See accompanying notes

Consolidated Statement of Financial Position

As at December 31, (Thousands of dollars)	2009	2008 (restated see Note 2)
Assets		
Current assets		
Cash and short-term investments (Note 6)	**$9,049**	$5,418
Accounts receivable (Note 14a)	**2,342**	2,638
Inventory (Note 11)	**221**	193
Prepaid publishing costs	**5,655**	5,834
Prepaid expenses	**133**	126
Current assets of discontinued operations (Note 5)	**443**	6,617
	17,843	20,826
Investment – preferred shares	**2,706**	-
Property, plant and equipment (Note 7)	**544**	731
Intangible assets – finite life (Note 8)	**9**	33
Goodwill	**226**	232
Long-term assets of discontinued operations (Note 5)	-	1,366
	$21,328	$23,188
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 14a)	**$1,165**	$1,240
Dividends payable	**8,000**	3,000
Deferred revenue	**3,088**	3,187
Current liabilities of discontinued operations (Note 5)	**262**	2,436
	12,515	9,863
Long-term debt (Note 9)	**4,868**	4,868
	17,383	14,731
Shareholder's equity		
Share capital and contributed surplus (Note 10)	**9,437**	9,437
Deficit	**(5,492)**	(980)
	3,945	8,457
	$21,328	$23,188

See accompanying notes

On behalf of the Board:

Robert Watson

Mike Anderson

Consolidated Statement of Cash Flows

For the year ended December 31, (Thousands of dollars)	2009	2008 (restated see Note 2)
Operating activities		
Income from continuing operations	$5,297	$4,302
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	313	407
Interest income	(403)	-
Other	8	-
Net change in non-cash working capital (Note 14b)	369	(225)
Cash provided by operating activities	5,584	4,484
Investing activities		
Property, plant and equipment expenditures	(86)	(175)
Intangible expenditures	(18)	(67)
Cash used in investing activities	(104)	(242)
Financing activities		
Dividends	(3,000)	-
Cash used in financing activities	(3,000)	-
Increase in cash from continuing operations	2,480	4,242
Increase (decrease) in cash from discontinued operations (Note 5)	417	(2,618)
Cash and cash equivalents, beginning of year	6,552	4,928
Cash and cash equivalents, end of year	$9,449	$6,552
Comprised of:		
Bank indebtedness from continuing operations	$(497)	$(185)
Short-term investments from continuing operations	9,546	5,603
Cash and cash equivalents from continuing operations	9,049	5,418
Cash from discontinued operations	400	1,134
	$9,449	$6,552

See accompanying notes

Notes to the Consolidated Financial Statements

Note 1 – The Corporation

DirectWest Corporation (the Corporation) is incorporated under the *Canada Business Corporations Act* and is wholly owned by Saskatchewan Telecommunications Holding Corporation (Holdco) through its subsidiary SaskTel Investments Inc. The Corporation markets and supplies print, on-line and mobile telephone directories, internet advertising, and marketing solutions in Saskatchewan. The Corporation also markets and supplies specialty publications throughout Canada.

The financial results are included in the consolidated financial statements of Holdco, a Saskatchewan Provincial Crown corporation. By virtue of its ownership structure, the Corporation is not subject to Federal or Provincial income taxes in Canada.

Note 2 – Change in accounting policies

Effective January 1, 2009, the Corporation adopted the accounting recommendations for goodwill and intangible assets (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064) in accordance with the transition provisions of the section. This section requires intangible assets to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria, and provides further information on the recognition of internally generated intangible assets.

The new recommendations have been implemented retroactively resulting in the following adjustments to December 31, 2008 balances:

Increase (decrease)	(Thousands of dollars)
Intangible assets – finite life – software	$33
Property, plant and equipment	(33)

Note 3 – Significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (GAAP).

Subsidiaries

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary DirectWest Canada, Inc. with all significant intercompany transactions and balances being eliminated.

Qu'Appelle Holding, Inc. is a non-operating subsidiary of the Corporation.

Cash and short-term investments

Cash and short-term investments represent interest bearing investments with Holdco and financial institutions that are due on demand and are stated at fair value.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Prepaid publishing costs

The Corporation defers expenses that are directly related to its publications, including printing and distribution costs, direct production salaries and salaries of sales staff. These costs are charged to income over the life of the related publication. The Corporation assesses recoverability of these costs with reference to expected future revenues from the related directories, those costs not considered recoverable are charged to income. Indirect costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets.

Asset	Estimated useful life
Office furniture, equipment and leaseholds	3-10 years

Assets held for sale and discontinued operations

Long lived assets are classified as held for sale when certain criteria are met, which include: the Corporation's commitment to a plan to sell the assets; the assets are available for immediate sale in their present condition; an active program to locate buyers and other actions to sell the assets have been initiated; the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; the assets are being actively marketed at reasonable prices in relation to their fair value; and it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

The Corporation measures assets held for sale at the lower of carrying amount or fair value less cost to sell. These assets are not depreciated or amortized.

A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of a disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

Intangible assets - finite-life

Finite-life intangible assets are recorded at cost of acquisition. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets.

Asset	Estimated useful life
Software	1 year

Finite-life intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. They are written down to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Goodwill

Goodwill is the residuai amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and comprehensive income.

Revenue recognition

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line and mobile advertising and advertising in specialty publications. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed up front for directory advertising are deferred and recognized over the corresponding life of the related directory.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

Financial instruments

Upon initial recognition, financial instruments are measured at fair value and are classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables or other liabilities. Held-to-maturity assets are carried at amortized cost with amortized premiums or discounts and other than temporary losses due to impairment included in net income. Held-for-trading assets and liabilities are carried at fair value with any gains or losses included in net income. Available-for-sale assets are carried at fair value with revaluation gains or losses included in other comprehensive income until the asset is removed from the balance sheet, except for equity investments that do not have a quoted market price in an active market, in which case the equity instrument is measured at cost. Loans and receivables, and other liabilities are accounted for at amortized cost using the effective interest method. Transaction costs are included in the initial carrying value of the financial instrument except for held-for-trading instruments in which case they are expensed as incurred.

Notes to the Consolidated Financial Statements

Note 3 – Significant accounting policies, continued

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and underlying provision for bad debts, property, plant and equipment and underlying estimations of useful lives of depreciable assets, intangible assets, goodwill, and prepaid publishing costs and underlying estimates of future cash flows. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 4 – Accounting policy developments

International Financial Reporting Standards (IFRS)

The CICA Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook which requires Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. The Corporation and its subsidiary, as GBEs, are proceeding with adoption of IFRS.

The Corporation has commenced an IFRS conversion project including initiating the development of high level IFRS implementation plans that include stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. An external advisor has been engaged to assist with the development of plans and to perform a detailed review of major differences between current GAAP and IFRS. Board members have been briefed on IFRS, in general, and project plans have been reviewed by the Board of Directors.

Management and staff from the Corporation have participated in detailed IFRS training seminars. Project teams have completed an initial assessment of those international financial reporting standards with the highest potential for impacts on either individual subsidiary or for the Corporation as a whole. Based on the analysis to date, potential significant areas of difference are related to revenue recognition and the related deferred costs, asset impairment testing and financial statement disclosures. Working groups have been formed to review identified standards in detail and discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution. Selection of accounting policies has been finalized and the Corporation is in the final stages of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being finalized in conjunction with Holdco. As part of the IFRS implementation, the Corporation plans to make changes to certain processes and systems to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Notes to the Consolidated Financial Statements

Note 5 – Discontinued operations

During the fourth quarter of 2008, the Corporation approved a plan for the divestiture of specific underperforming out of province assets held by its wholly owned subsidiary DirectWest Canada, Inc. and the criteria for classification as a discontinued operation were met.

During the year the Corporation disposed of the directory operations of DirectWest Canada, Inc. for consideration of $4,714,732 in the form of cash of $531,732, short-term promissory note of $450,000 and preferred shares of $3,733,000, resulting in a net loss of $231,201 which has been included in loss from discontinued operations in the Consolidated Statement of Operations and Comprehensive Income.

The operating loss from discontinued operations for the year was $1,578,271.

The results of the directory operations of DirectWest Canada, Inc. have been presented as discontinued operations in the Consolidated Statements of Operations and Cash Flows and the related assets and liabilities have been reported as assets of discontinued operations and liabilities of discontinued operations in the Consolidated Statement of Financial Position for all periods presented.

The results of discontinued operations are as follows:

	2009	2008
	(Thousands of dollars)	
Revenues	$2,630	$7,457
Cost of sales	1,533	4,548
Operating expenses	2,682	4,751
Depreciation and amortization	-	273
Interest income	7	35
Net loss on disposal of discontinued operations	(231)	-
Net loss from discontinued operations	$(1,809)	$(2,080)

The assets and the related liabilities of discontinued operations are as follows:

	2009	2008
	(Thousands of dollars)	
Assets		
Cash and short-term investments	$400	$1,134
Accounts receivable	43	1,222
Prepaid publishing costs and expenses	-	4,261
	443	6,617
Property, plant and equipment	-	131
Intangible assets	-	954
Goodwill	-	281
	-	1,366
	$443	$7,983

Notes to the Consolidated Financial Statements

Note 5 – Discontinued operations, continued

	2009	2008
	(Thousands of dollars)	
Liabilities		
Accounts payable and accrued liabilities	**$262**	$1,413
Deferred revenue	**-**	1,023
	$262	$2,436

The cash flows of discontinued operations are as follows:

	2009	2008
	(Thousands of dollars)	
Operating activities	**$(565)**	$(2,608)
Investing activities	**982**	(10)
	$417	$(2,618)

Note 6 – Cash and short-term investments

Short-term investments represent funds invested with Holdco at an interest rate of 0.28% (2008 – 2.00%).

Note 7 – Property, plant and equipment

	Cost	Accumulated depreciation and amortization	Net book value	
			2009	2008 (Restated see Note 2)
(Thousands of dollars)				
Office furniture, equipment and leaseholds	**$2,510**	**$1,966**	**$544**	$731

Depreciation and amortization for the year totaled $269,834 (2008 - $324,417).

Note 8 – Intangible assets – finite life

	Cost	Accumulated amortization	Net book value	
			2009	2008
			(Thousands of dollars)	
Software	**$3,332**	**$3,323**	**$9**	$33

Amortization for the year totaled $42,770 (2008 - $83,094).

Notes to the Consolidated Financial Statements

Note 9 – Long-term debt

The balance represents amounts due to Holdco which are unsecured and bear interest at the Holdco's average borrowing rate of 0.40% (2008 – 1.55%), with no fixed repayment terms.

Note 10 – Share capital and contributed surplus, and additional capital disclosures

a) Share capital and contributed surplus

	2009	2008
	(Thousands of dollars)	
Share capital		
Authorized - unlimited number of class A common shares		
Issued – 100 shares	$-	$-
Contributed surplus	9,437	9,437
	$9,437	$9,437

b) Additional capital disclosures

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Corporation, and to ensure adequate returns to the shareholder.

The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation monitors capital on the basis of approved budgets and forecasts, and required funding for the Corporation.

The Corporation's strategy, which is to maintain sufficient cash for the continued development of targeted markets, is unchanged from 2008.

The Corporation is not subject to any externally imposed capital requirements.

Note 11 – Inventories

During the year, $1,147,857 of inventories for resale (2008 - $1,250,626) were recognized as cost of goods sold. There was no write-down of inventories and no reversals of any prior period write-down during 2009.

Notes to the Consolidated Financial Statements

Note 12 – Commitments and contingencies

Commitments

The Corporation is committed to future minimum payments under operating leases in each of the next five years as follows:

	(Thousands of dollars)
2010	$389
2011	368
2012	322
2013	245
2014	140

Contingencies

In the normal course of operations, the Corporation may become involved in various claims and litigation. While the final outcome with respect to claims and litigation cannot be predicted with certainty, it is the opinion of management that any resolution would not have a material adverse effect on the Corporation's financial position or results of operations.

Note 13 – Non-monetary transactions

During the year the Corporation entered into non-monetary transactions to exchange advertising for various products and services. No gains or losses have been reported on these transactions. Gross revenue includes $7,425 (2008 - $62,218) and operating expenses include $7,425 (2008 - $62,218) of non-monetary transactions.

Note 14 – Additional financial information

a) Balance sheet

	2009	2008
		(Thousands of dollars)
Accounts receivable		
Customer accounts receivable	$2,260	$2,563
Accrued receivables - customer	34	75
Allowance for doubtful accounts	(10)	(29)
	2,284	2,609
Other	58	29
	$2,342	$2,638
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	$443	$527
Payroll and other employee-related liabilities	660	645
Other	62	68
	$1,165	$1,240

Notes to the Consolidated Financial Statements

Note 14 – Additional financial information, continued

b) Supplementary cash flow information

	2009	2008
	(Thousands of dollars)	
Net change in non-cash working capital		
Accounts receivable	**$399**	$(158)
Inventory	**(28)**	90
Prepaid publishing costs	**178**	39
Prepaid expenses	**(7)**	(75)
Accounts payable and accrued liabilities	**(75)**	(147)
Deferred revenue	**(98)**	26
	$369	$(225)
Interest paid	**$19**	$118

Note 15 – Financial instruments

The Corporation's financial instruments include cash and short-term investments, accounts receivable, investment – preferred shares, accounts payable and accrued liabilities, short-term obligations and long-term debt, which by their nature are subject to risks.

a) Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following table represents the carrying amounts and fair values of financial assets and liabilities measured at fair value or amortized cost:

(Thousands of dollars)		2009		2008	
Financial Instruments	Classification[1]	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and short-term investments					
Continuing operations	HFT	**$9,049**	**$9,049**	$5,418	$5,418
Cash from discontinued operations	HFT	**400**	**400**	1,134	1,134
Accounts receivable					
Continuing operations	LAR	**2,342**	**2,342**	2,638	2,638
Discontinued operations	LAR	**43**	**43**	1,222	1,222
Investment – preferred shares	AFS	**2,706**	**2,706**	-	-

Notes to the Consolidated Financial Statements

Note 15 – Financial instruments, continued

(Thousands of dollars)		2009		2008	
Financial Instruments	Classification[1]	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities					
Accounts payable and accrued liabilities					
Continuing operations	OL	**$1,165**	**$1,165**	$1,240	$1,240
Discontinued operations	OL	**262**	**262**	1,413	1,413
Long-term debt – continuing operations	OL	**4,868**	**4,868**	4,868	4,868

[1] Classification details are:
AFS – available for sale
HFT – held-for-trading
LAR – loans and receivables
OL – other liabilities

Determination of fair value

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and dividend payable approximate their fair values due to the short-term maturity of these financial instruments.

Preferred shares are carried at cost as they do not have a quoted market price and the fair value cannot be estimated reliably.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgement and is based on market information where available and appropriate. Accordingly, fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 - Where quoted prices are readily available from an active market.
Level 2 - Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

		2009			2008	
(Thousands of dollars)	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Long-term debt	**$-**	**$4,868**	**$4,868**	$-	$4,868	$4,868

b) Currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers, however the risk has been assessed as minimal and therefore is not actively managed.

Notes to the Consolidated Financial Statements

Note 15 – Financial instruments, continued

c) Interest rate risk

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on short-term investments, short-term obligations and long-term debt. The most significant of these is interest rate risk related to the floating rate term debt and the issuance of long-term debt. However, assuming all other variables remained constant at December 31, 2009, a 10% (3 basis point) increase or decrease in interest rates would not have a material impact on net income.

Interest rate risk on short and long-term liabilities are managed based on the refinancing needs of the Corporation using derivative financial instruments when deemed appropriate.

The average effective interest rate on the Corporation's long-term debt was 0.40% (2008 - 1.55%) as was the average interest rate.

d) Market risk

The Corporation is exposed to market risk on short-term investments. Fair value adjustments will fluctuate based on changes in market prices, however the fluctuations should not be significant due to the short term nature of the investments.

e) Credit risk

The Corporation is exposed to credit risk through its short-term investments, accounts receivable and investment – preferred shares. Credit risk related to short-term investments is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized because of the large and diverse customer base covering many business sectors. The Corporation evaluates customer credit risk and limits credit availability when necessary, in addition, pursuant to an agreement with Saskatchewan Telecommunications (SaskTel), the Corporation mitigates its credit risk from the Saskatchewan directories, by selling its receivables to SaskTel for a fee.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2009	2008
		(Thousands of dollars)
Cash and short-term investments continuing operations	**$9,049**	$5,418
Cash from discontinued operations	**400**	1,134
Accounts receivable		
Continuing operations	**2,342**	2,638
Discontinued operations	**43**	1,222
Investment – preferred shares	**2,706**	-
	$14,540	$10,412

Notes to the Consolidated Financial Statements

Note 15 – Financial instruments, continued

The aging of customer receivables, which indicates potential impairment losses, is as follows:

Continuing operations	**2009**	2008
		(Thousands of dollars)
Current	**$2,169**	$2,393
30-60 days past billing date	**67**	75
61-90 days past billing date	**17**	46
Greater than 90 days past billing date	**7**	49
Total	**$2,260**	$2,563

Discontinued operations	**2009**	2008
		(Thousands of dollars)
Current	**$3**	$514
30-60 days past billing date	**2**	334
61-90 days past billing date	**24**	173
Greater than 90 days past billing date	**1,787**	1,269
Total	**$1,816**	$2,290

Provisions for credit losses are maintained and regularly reviewed by the Corporation, based on an analysis of the aging of customer accounts. Amounts are written off once reasonable collection efforts have been exhausted. Details of the allowance account are as follows:

Continuing operations	**2009**	2008
		(Thousands of dollars)
Allowance for doubtful accounts, opening balance	**$29**	$3
Accounts written off	**(25)**	(4)
Recoveries	**-**	-
Provision for losses	**6**	30
Allowance for doubtful accounts, closing balance	**$10**	$29

Discontinued operations	**2009**	2008
		(Thousands of dollars)
Allowance for doubtful accounts, opening balance	**$1,094**	$342
Accounts written off	**(99)**	(239)
Recoveries	**5**	34
Provision for losses	**783**	957
Allowance for doubtful accounts, closing balance	**$1,783**	$1,094

Notes to the Consolidated Financial Statements

Note 15 – Financial instruments, continued

f) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments, all of which are due within two years of the respective year ends:

December 31, 2009

	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years
				(Thousands of dollars)	
Long-term debt	$4,868	$4,906	$9	$10	$4,887
Accounts payable and accrued liabilities					
Continuing operations	1,165	1,165	1,165	-	-
Discontinued operations	262	262	262	-	-
	$6,295	$6,333	$1,436	$10	$4,887

December 31, 2008

	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years
				(Thousands of dollars)	
Long-term debt	$4,868	$5,104	$59	$59	$4,986
Accounts payable and accrued liabilities					
Continuing operations	1,240	1,240	1,240	-	-
Discontinued operations	1,413	1,413	1,413	-	-
	$7,521	$7,757	$2,712	$59	$4,986

Sufficient operating cash flows are expected to be generated to fund these contractual obligations. In addition, the Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows.

Note 16 – Related party transactions

Included in these financial statements are transactions with Holdco and its subsidiaries, various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Notes to the Consolidated Financial Statements

Note 16 – Related party transactions, continued

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at year-end are as follows:

	2009	2008
	(Thousands of dollars)	
Revenues	**$2,371**	$2,633
Operating expenses	**20,145**	17,835
Interest income	**31**	105
Interest expense	**19**	118
Accounts receivable	**1,968**	2,159
Property, plant and equipment	**2**	11
Accounts payable and accrued liabilities	**159**	250

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 17 – Comparative figures

Certain of the 2008 figures have been reclassified to conform to the current year's presentation.